



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

CONSENT AGENDA
June 27, 2006

Honorable Mayor and
Members of the City Council

Subject: Internal Audit Report for the Mayor & City Council
Discretionary Accounts, FY 2005

Location/Council District: Citywide

Recommendation:

This report recommends that the Mayor/City Council adopt the attached resolution accepting the Internal Audit Report of the Mayor & City Council Discretionary Accounts.

Contact: Martin Kolkin, City Auditor 808-5704

Presenter: Martin Kolkin

Department: City Manager's Office

Division: Office of the City Auditor

Organization No: 0310

Summary:

An internal audit of the Mayor & City Council Discretionary accounts was performed to evaluate if appropriate use of public funds occurred in the Mayor and City Council Discretionary Accounts during fiscal year 2005 and to provide an assessment of existing policies, procedures, and practices associated with these accounts.

The Internal Audit Report of the Mayor & City Council Discretionary Accounts concluded that spending in these accounts was appropriate and that public funds were not misused during the year examined, fiscal year 2005.

Background:

In accordance with the approved Internal Audit Workplan, attached is the completed internal audit report of the Mayor and City Council Discretionary Accounts. It is recommended that the Mayor/City Council approve the attached resolution accepting the report.

Report Results

The audit was performed in accordance with generally accepted government auditing standards and the responsibilities of the City Auditor. Based upon the records examined and auditing techniques employed, the City Auditor concluded that the Mayor and City Council Discretionary Account spending was appropriate and that public funds were not misused during the year examined, fiscal year 2005.

Financial Considerations:

None

Environmental Considerations:

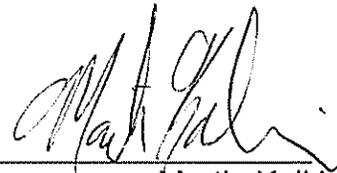
This activity does not constitute a "project" and is therefore exempt from the California Environmental Quality Act (CEQA), CEQA Guidelines Sections 15061(b) and 15378(b)(3).

Policy Considerations:

The City Auditor's presentation of the Internal Audit Report for the *Mayor & City Council Discretionary Accounts for Fiscal Year 2005* is consistent with the City's core values of fiscal responsibility and accountability.

ESBD Considerations: None

Respectfully Submitted by: _____



Martin Kolkin
City Auditor

Recommended Approval:

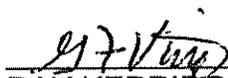

for _____
RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

June 27, 2006

**INTERNAL AUDIT REPORT FOR THE MAYOR AND CITY COUNCIL
DISCRETIONARY ACCOUNTS, FY 2005**

BACKGROUND

- A. In accordance with the fiscal year 2006 Internal Audit Workplan, An internal audit of the Mayor & City Council Discretionary accounts was performed to evaluate if appropriate use of public funds occurred.
- B. The Internal Audit Report of the Mayor & City Council Discretionary Accounts concluded that spending in these accounts was appropriate and that public funds were not misused during fiscal year 2005.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY
COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The Mayor/City Council accept the Internal Audit Report of the Mayor & City Council Discretionary Accounts and the conclusion that spending in these accounts was appropriate and that public funds were not misused during fiscal year 2005.



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
915 I STREET
5TH FLOOR
SACRAMENTO, CA
95814-2604

PH 916-808-5704
FAX 916-808-7618

June 1, 2006

Honorable Mayor, City Council Members, and the City Manager:

The City of Sacramento's City Auditor has completed an audit of Mayor and City Council discretionary accounts for fiscal year 2005. The audit was conducted in accordance with generally accepted government auditing standards and the responsibilities of the City Auditor.

This examination was performed to evaluate if appropriate use of public funds occurred in the Mayor and City Council Discretionary Accounts during fiscal year 2005, and to provide an assessment of existing policies, procedures, and practices associated with these accounts.

Based upon the records examined and auditing techniques employed, I have concluded that Mayor and City Council discretionary spending was appropriate and that public funds were not misused during the year examined, fiscal 2005.

Martin J. Kolkin
City Auditor

**Mayor & City Council Discretionary and CIP Accounts
Annual Report – Fiscal Year 2005
Report Number 2006-02**

CONCLUSION

I have concluded that Mayor and City Council discretionary spending for fiscal year 2005 was appropriate and that public funds were not misused during the year examined. Additionally, procedures and practices implemented during fiscal 2005 provided reasonable assurance that desired results were achieved.

OBJECTIVES

The purpose of this audit was to evaluate if the Mayor and City Council discretionary spending was appropriate for fiscal year 2005. Additionally, procedures and practices associated with these accounts, implemented in the beginning of fiscal year 2005, were assessed.

AUDIT SCOPE & METHODOLOGY

The scope of this audit focused on spending within the nine discretionary accounts, the Mayor and the eight City Council districts. Additionally, procedures and practices associated with the discretionary accounts were examined. The audit included, but was not limited to the following:

- Physical observations of budget and accounting operations and practices;
- Analytical review of budget data and financial information;
- Examination and verification of general ledger revenue and expense data for fiscal year 2005. Over 55% of the total discretionary spending in fiscal 2005 was selected for audit sampling; and
- Interviews and discussions with personnel from the Mayor and City Council Department, the Accounting Division, and the Budget Division.

BACKGROUND

Use of Discretionary Accounts

Discretionary accounts afford the Mayor and City Council with an annual funding mechanism that provides opportunities to promote the City or compliment City functions. It is a budget source to support activities within their districts which benefit City residents. The use of these accounts is at the discretion of the Mayor and individual City Council members. However, the guidelines for the use of public funds still govern the use of these accounts, misuse and gifts to individuals remain prohibited. Accordingly, the City Auditor defined "inappropriate use" as spending that does not adhere to the guidelines for the use of public funds.

History

The Mayor and City Council discretionary accounts were established during fiscal year 1999. Annual budgetary funding for discretionary spending was established at \$75,000 in fiscal 1999 and \$50,000 for fiscal years 2000 - 2005.